The Machine That Keeps Britain’s Money in Oil

It isn’t a generation holding the transition back. It’s a system — a wealthy dividend-reliant minority, an income economy addicted to two oil majors, and the institutions built around them. Here’s exactly how it works, and what breaks it.

The thesis, in one page

It’s tempting to blame “boomers” for the slow pace of green finance. But the data don’t support a generational villain, and the real explanation is more precise — and far more useful, because it points at things that can actually be changed. Three interlocking parts keep British savings pointed at fossil fuels:

- **A wealthy, dividend-reliant minority** — a relatively small, asset-rich group (concentrated among older people, but not “all pensioners”) who live off investment income and have a direct stake in oil dividends continuing.
- **An income system addicted to two oil majors** — Shell and BP pay roughly £1 in every £8 of all FTSE 100 dividends, so the entire UK income-investing machine leans on them.
- **The institutions around them** — the $25-trillion asset managers, the banks, the advisers, the lobby, and a government dependent on the tax — who keep the capital flowing and, increasingly, vote to protect it.

Put those together and you get a self-reinforcing machine. This report walks through each part, then shows the **transmission mechanism** — how the demand for fossil income literally forced Shell and BP to roll back their climate plans in 2024–25 — and finishes with what is already breaking the machine.

Part 1 — The wealthy, dividend-reliant minority

First, the myth-buster: most older people are *not* tied to oil. The typical pensioner lives mainly on the State Pension (average pensioner income ~£455/week, with benefit income ~58% of a single pensioner's total), and only about **16% have any personal-pension income at all** (DWP, 2025). Final-salary (DB) pensioners and annuity holders are insulated entirely — their income is guaranteed and, as DB schemes de-risked from **61% in shares (2006) to just 15% (2024)**, barely moves when an oil dividend is cut.

So who actually has skin in the game? A specific, wealthier group: **older retail shareholders and income-drawdown investors who live off 'natural yield' — dividends — from shares and equity-income funds.** And that group sits on a strikingly concentrated pile of wealth:

- **Median household wealth runs from £15,200 (under-25s) to £502,500 for the 65–74s** — a 33-fold gap (ONS, 2020–22).
- **Financial wealth is the most unequal asset of all** (Gini 0.87 vs 0.36 for income), and the top 10% of adults hold ~64% of all private pension wealth.
- **Total private pension wealth is ~£6 trillion** — 35–42% of all UK wealth — so how this minority's money is invested genuinely moves markets and companies.

The fair version of the "vested interest" point: it is a wealthy, asset-rich, dividend-reliant minority — clustered among older cohorts but not synonymous with them — whose short-run financial interest can align with a slower transition. That is a sharper and more defensible claim than blaming an age group, and far harder to wave away.

Part 2 — An income system addicted to two oil majors

For the exposed group, the dependence runs through one channel: dividends. And UK dividend income is **dangerously concentrated**.

The concentration of UK dividend income	Figure
Top 5 companies' share of all UK dividends	54% (two are Shell & BP)
Top 15 companies' share	83%
Shell + BP combined annual dividend	~£10.1bn (Shell #2, BP joint-4th)
Shell + BP share of ALL FTSE 100 dividends	~£1 in every £8
Typical UK equity-income fund weight in Shell+BP	~7–10%

This is why the income economy defends oil so reflexively: cut these two dividends and you knock a hole in the income of millions of pensioners and nearly every UK equity-income fund. The belief that those dividends are "safe," though, was demolished in **2020**: Shell cut its payout by **66% — its first cut since the Second World War** — and BP halved its own; UK dividends fell 44% to £61.9bn. They have since recovered, but **rebased lower and shifted toward share buybacks** (£63.6bn of UK buybacks in 2025) — which lift the share price but pay no spendable income. The addiction is real; the supply is not as reliable as the addicts believe.

Part 3 — The institutions around them

A minority of savers and an income habit couldn't hold a £2-trillion system in place on their own. The machinery does:

The $25-trillion 'universal owners'

BlackRock, Vanguard and State Street manage around **$25 trillion combined** and, through index funds, are top-three shareholders in virtually every oil major. Their votes are decisive — and they have **stopped using them on climate**. Support for environmental shareholder proposals collapsed: BlackRock from ~53% (2021) to **~4% (2024)**; Vanguard to **0% (2024)**; the market average from ~33% to ~16%. In 2024–25 all three **quit or downgraded the main climate-investor alliances** (Climate Action 100+, Net Zero Asset Managers), under US political and legal pressure including a lawsuit from Texas and Republican states.

The banks

Lending keeps fossil expansion alive: the 65 biggest banks have poured **$8.7 trillion into fossil fuels since the Paris Agreement** (Banking on Climate Chaos, 2026), $906bn in 2025 alone, led by JPMorgan. Capital keeps flowing to the thing the science says must wind down.

Government and the tax base

The UK Treasury collected **£4.4bn** in North Sea taxes in 2024–25 — real revenue it must replace — and globally, the IMF counts **$7 trillion of fossil-fuel subsidies** in 2022 (82% of it implicit, from unpriced pollution and climate damage). Governments are fiscally entangled with the thing they pledge to phase out.

The lobby

And the influence machine guards the perimeter: the five oil majors spend an estimated **~$115m a year on obstructive climate lobbying** (InfluenceMap) and €251m+ in the EU since 2010; a record **~1,600+ fossil-fuel lobbyists** attended the COP30 climate talks in 2025 (about 1 in every 25 attendees). In the UK, fossil-fuel interests gave the governing Conservatives £2.35m since 2019, and at least 127 oil-and-gas figures have moved into government roles since 2011 (DeSmog). The advisers who pick workplace schemes tend to default to the incumbent, and the 0.75% charge cap quietly squeezes out pricier green funds.

Honest flags: the $25tn AUM total is an analyst aggregation; the IMF subsidy figure is mostly "implicit"; some UK-donation and revolving-door figures are single-source (DeSmog) — solid but worth attributing carefully on camera.

The transmission mechanism: how the demand became the rollback

Here is the part that turns a static picture into a moving machine — and it played out in plain sight in 2024–25. The chain runs: **markets reward fossil cash and punish green spending → income and activist shareholders force strategy change → the companies retreat to oil → the watchdogs that might resist stand down.**

1. The market punished the greenest major

After the 2022 energy-price spike, oil, gas and LNG threw off record cash while renewable returns slumped. BP — the major that had leaned hardest into transition (a 2020 pledge to cut oil & gas output 40% by 2030) — **underperformed Shell and the US giants**, and its board came under pressure to "reward shareholders more." The lesson the market taught was blunt: going green got you punished.

2. Activist money converted that into a U-turn

In early 2025 the activist hedge fund **Elliott Management built a ~5% stake in BP** and demanded higher returns, deeper cost cuts and a pivot back to oil. On **26 February 2025 BP "reset"**: it raised oil & gas investment to **~$10bn/year, cut transition spending by more than 70%, and abandoned its 2030 output-reduction target**, with the CEO saying its faith in a fast green transition had been "misplaced." At the April 2025 AGM, 24% of shareholders revolted against the chair — and BP *refused to let shareholders vote on the strategy at all*.

3. Shell followed the same logic

Under CEO Wael Sawan (from 2023), Shell **weakened its 2030 carbon-intensity target and scrapped its 2035 target** (March 2024), exited home-energy retail, and set out to grow LNG 20–30%. Sawan said the quiet part out loud: "Our ability to raise and invest capital depends on delivering strong returns to shareholders." Shell even weighed **moving its listing to New York** to capture higher fossil-fuel valuations.

4. The watchdogs stood down — and the reward was paid

The universal owners who might have resisted instead voted with management (above), and the climate-minded investors who wouldn't acquiesce often **divested — removing their votes too**. So both "engage" and "exit" left management unchecked. Meanwhile the freed-up cash went to shareholders, not the transition: Shell distributed roughly **$22.5bn in 2024** (~$14bn of it buybacks). The tell came when oil prices wobbled and BP **halved its buyback** — proving returns were the binding priority. The demand for fossil income didn't just sit there passively; it actively reached into two of the world's biggest companies and turned them back toward oil.

Balance: BP and Shell frame these moves as energy security, capital discipline and fiduciary duty, and argue strong returns make future climate investment more likely. Critics (IEA, Carbon Brief, ShareAction, Follow This) counter that no new oil & gas is needed on a 1.5°C path, so the rollbacks lock in higher emissions. Some figures (Shell's 2024 total; BP's exact renewables-cut %) are approximate — see flags.

What it costs — and who pays

The machine isn't just slow; it shifts risk onto the people it claims to protect. If the world takes climate targets seriously, **60–80% of listed fossil reserves are "unburnable,"** the IEA says no new oil & gas fields are needed, and a peer-reviewed study (Nature, 2022) found that over **$1 trillion of stranded oil & gas value would fall mostly on OECD pension-holders** — ordinary savers. Coal's Peabody Energy already showed how fast this can happen: from a ~$19.7bn company to ~$38m and bankruptcy in five years. The Bank of England warned a decade ago that fossil assets risk being "dramatically overvalued… on pension fund portfolios." In other words, the status quo isn't even safe for the income investors defending it — and the climate costs land hardest on the young and on future generations who had the least say.

What breaks the machine

The encouraging half: the lock-in is being prised open, and the pressure points are known.

- **Shareholder activism.** Support for Follow This climate resolutions at Shell rose from 2.7% (2016) to ~20%; in 2025, UK local-government pension funds (Brunel, Greater Manchester, Merseyside) co-filed a resolution challenging Shell's LNG growth that won ~20% despite board opposition.
- **Divestment.** Over 1,590 institutions with ~$40.7 trillion of assets have made some divestment commitment; the Church of England pension fund fully exited Shell and oil & gas in 2023; 100 UK universities have committed. (Caveat: only 5 UK local-authority pension funds have fully divested — ~£16bn of council pensions remain in fossil fuels — so there's a long way to go.)
- **The pension movement.** Make My Money Matter helped put ~£1.5 trillion of UK pension assets on a net-zero track before closing in March 2025; the Finance Innovation Lab's "Fair, Green Pensions" and the Better Pensions Coalition have taken up the baton.
- **Regulation.** The FCA's anti-greenwashing rule (May 2024) and SDR sustainability labels now make green claims provable; mandatory climate (TCFD) reporting applies to large pension schemes.
- **The highest-leverage point: the default.** Only about £1 in every £10 of pension money is invested sustainably, and ~90% of savers never leave the default — so greening defaults would move more money than any number of individual switches. That's why campaigners are converging on it.

And the individual lever still matters, precisely because the system runs on inertia: switching your own workplace fund to a credibly green option is free, keeps your employer's contributions, and — multiplied across enough people, plus a few emails to employers — is exactly the demand signal that the machine is built to respond to.

The bottom line

It isn't a generation blocking the transition. It's a **wealthy, dividend-reliant minority, an income system addicted to two oil majors, and the $25-trillion institutions, banks, lobbyists and tax receipts built around them** — a machine that, in 2024–25, was powerful enough to turn Shell and BP back toward oil. Name it that precisely and it becomes legible, and therefore beatable: the same machine that runs on the demand for fossil income can be re-pointed by the demand for something better — starting with where tens of millions of ordinary pensions are invested by default.

Sources: ONS (Total Wealth 2020–22; Quoted Shares 2024); DWP Pensioners' Incomes (2025); PPF Purple Book 2024; AJ Bell / Computershare dividend data; Carbon Tracker; IEA (Net Zero 2050; World Energy Investment 2025); Nature Climate Change (2022); Bank of England (2015); Carbon Brief, Reuters, Bloomberg, Fortune, CNN on BP & Shell (2023–25); BP & Shell filings; Follow This; ShareAction / ACCR; ShareAction asset-manager voting data; Climate Action 100+; InfluenceMap; Banking on Climate Chaos (2025–26); IMF (2023); DeSmog; Make My Money Matter; Finance Innovation Lab; Church of England; FCA; DWP / Behavioural Insights Team. Flags: the $25tn AUM total, ~£88bn pensions-in-fossil-fuels and the "21x" impact figure are estimates/aggregations; some stranded-asset and UK-donation figures are model- or single-source; BP/Shell distribution and renewables-cut figures are approximate. General information, not financial advice; named companies/funds are illustrations, not recommendations.